

NATIONAL CREDIT UNION ADMINISTRATION

OFFICE OF

INSPECTOR GENERAL

Inspection Review R9-9701

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Central Office Security Files

Conducted By:_____

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NCUA SECURITY FILES REVIEW

EXECUTIVE SUMMARY

In November 1996, the Office of Inspector General (OIG) undertook a review of the security files system and suitability adjudication procedures in the National Credit Union Administration (NCUA). The agency program is conducted by its Office of Human Resources (OHR). The Director of OHR serves as the agency's Security Officer and makes the actual adjudications of employee suitability based on recommendations from the Employee Relations Specialist (the Specialist.) The Employee Relations Specialist determines the position sensitivity levels for each NCUA job classification based on the duties of the position and various risk factors as set forth in Office of Personnel Management (OPM) guidance. Based on the sensitivity level of the position, she requests the appropriate level of OPM investigation, receives OPM investigative reports and makes a suitability adjudication recommendation to the Security Officer based on the report results and subsequent consultations within the agency. Board members undergo a slightly different process because their jobs are considered national security positions.

When NCUA retains an employee whose investigation cites actionable issues, the Employee Relations Specialist returns the investigative report to OPM with a statement regarding the action taken by the agency and rationale therefor. The majority of background investigations found only minor or no issues for the agency's suitability consideration. Over the past two years, no employee was terminated or resigned due to a serious issue developed in the background investigation.

Very serious issues, such as recent arrests and convictions, developed during the investigation or arising after the employee has been appointed, are retained in a Privacy Act system of records by the Employee Relations Specialist. Within the past two years, only one employee was arrested and convicted, causing a file to be maintained. No OPM investigation within the last two years resulted in an issue that led to an employee's termination or resignation.

Overall, OHR has been doing a careful job in designating positions according to risk, adjudicating suitability, and tracking and documenting these activities. During this review, the OHR finalized and issued an updated Personnel Manual chapter on Suitability.

We recommend only minor improvements to the system. First, OHR should retain a copy of any OPM report with an actionable issue for a period of one to two years, to permit oversight and review.

Second, to ensure due process, we recommend that when the OPM investigation develops any actionable issue, i.e., anything other than "F", "G", or "R" case seriousness code, and the agency decides to retain the employee, the Employee Relations Specialist should write and keep in the file a more complete statement of reasons for the employee's retention than is currently written. If OPM requires a response to the investigation, then these reasons should appear as the agency's statement on the OPM form. If OPM does not require a response, then the Employee Relations Specialist should keep a separate form for the agency in the investigative file, stating the rationale for retaining the employee despite the issue.

Third, the Director of OHR should obtain a formal delegation of authority from the Chairman to make suitability adjudications.

Fourth, OHR should consult with the Office of General Counsel and issue an updated Privacy Act system notice in the Federal Register at the next opportunity.

OHR has reviewed these recommendations and has agreed to implement them.